

# **Comments on the Draft Farm Bill Concept Paper**

Prepared Testimony of

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President

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Before the

**House Committee on Agriculture**

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## INTRODUCTION

Mr. Chairman, Mr. Ranking Member, and Members of the Committee, thank you for the opportunity to appear before you today. My name is Dusty Tallman. I currently serve as President of the National Association of Wheat Growers, known to our friends simply as NAWG. I live in eastern Colorado where my family and I operate a wheat farm.

I've been here once before this year. I first appeared before you in March to present the views of NAWG's membership regarding the new Farm Bill. I am pleased that the process has worked so well that I am again before you only four short months later. In March, I provided details on NAWG's legislative proposal; today, I will offer our views of the Committee's Draft Farm Bill Concept Paper.

Let me begin by saying that we are very pleased with the Committee's work, and the Chairman and Ranking Member's efforts during what have been an intense few months. We are also thankful for the receptiveness of the Committee Members and the Committee staff during this time. Your willingness to listen to our membership and work with our state leaders is greatly appreciated. And while I realize that the months before us will be even more grueling than those behind, I am confident we are proceeding down the correct path and that the final product of your deliberations will be a Farm Bill we can all support.

## **DRAFT FARM BILL CONCEPT PAPER**

### **1. General Comments**

NAWG's membership supports the general concepts outlined in the Committee's Draft Farm Bill Concept Paper (Draft). The delivery mechanisms for commodity program support outlined in the Draft – continuation of fixed AMTA payments and the marketing loan program, coupled with the advent of a counter-cyclical support program – provide the needed adjustment to the 1996 Federal Agricultural Improvement and Reform (FAIR) Act with the least amount of disruption to producer operations and expectations.

Wheat producers have always supported the basic philosophical and practical underpinnings of the 1996 FAIR Act. The guaranteed fixed payments, the non-recourse marketing loan, and the planting flexibility have allowed wheat producers to adjust to changing market conditions and maximize returns on every acre of their operation. The counter-cyclical component of the Committee's Draft adds only the missing element of the original act. With this addition, NAWG views the Committee's Draft as a very complete document, lacking only in some specific instances. And while we will recommend some changes to specific funding levels contained in the Draft, NAWG encourages the Committee, first and foremost, to maintain the structural components outlined in the Draft as you begin your deliberations in earnest on the new Farm Bill.

## 2. Acreage Update

In March, NAWG testified that the existing historic bases for current program crops should remain in place during the next Farm Bill. However, after countless hours of discussion with other producer groups, we realized that maintaining existing bases would not benefit all producers equally. Consequently, we believe that the Committee's Draft provides the appropriate avenue for resolving the base acreage issue. The Committee should proceed by providing producers with the choice of existing historic bases, or an updated base reflecting the more recent 1998-2001 crop years.

## 3. Payment Yields

NAWG supports the treatment of payment yields outlined in the Committee's Draft. The existing AMTA payment yields are the appropriate figures on which to base both the fixed decoupled payments and counter-cyclical payments.

## 4. Fixed Decoupled Payments

The fixed payment system for delivering program support has evolved into an important financial tool for American wheat producers. The fixed payments afford our producers greater economic stability, and allow them to conduct their business operations in a more financially secure environment. NAWG recommends that the Committee proceed with

the principle that fixed payments serve our producers well, and should remain an integral part of our farm support system.

#### Payment Rates

NAWG first proposed that fixed payments continue at the 1999 Production Flexibility Contract payment rate. While we continue to support fixed payments as an integral component to the farm business operation, NAWG's membership realizes that the budget does not allow for continuation of fixed payments at the 1999 rate. As such, NAWG supports continuation of fixed, decoupled payments at the 2002 Production Flexibility Contract payment levels as proposed in the Committee's Draft.

#### Payment Limits

Payment limitations on fixed payments and marketing loans, and the proposed counter-cyclical support program, are a component of the 1996 FAIR Act that have failed to keep up with the budgets of modern agricultural operations.

In an effort to take advantage of economies of scale, most farm operations have diversified and grown over the life of the 1996 FAIR Act. Our farmers now plant and harvest more acres, raise more livestock, have more and costlier equipment, and carry larger debts with creditors than just a few years ago. To maintain the \$40,000 payment limitation on fixed payments, the \$75,000 payment limitation on marketing loans, and the proposed \$75,000 payment limitation on counter-cyclical support ignores the changes that have occurred across the agricultural landscape and punishes those producers who have made their operations a success. As such, NAWG encourages the Committee to eliminate payment limitations.

## 5. Counter-Cyclical Payments

The advent of a counter-cyclical program to serve as a safety net in times of low commodity prices would prove a significant advance over the 1996 FAIR Act. A counter-cyclical program has been the missing component of the 1996 FAIR Act, and would function as a welcome and reliable replacement to the annual market loss payments Congress has authorized each of the last three years.

NAWG fully supports the counter-cyclical proposal as outlined in the Committee's Draft. This is the proper mechanism for providing additional support and should be adopted by the Committee in the new Farm Bill.

### Target Prices

Like the Committee's Draft, the NAWG plan for counter-cyclical payments is based on the establishment of a commodity specific Market Support Level, or in the Committee's parlance, a Target Price.

The Market Support Levels established by NAWG were calculated by taking the average total crop gross income and program support for each commodity<sup>1</sup> as calculated by FAPRI in their work for the Commission on 21<sup>st</sup> Century Production Agriculture<sup>2</sup> and dividing it by the average production for each commodity over the same 1995-1999

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<sup>1</sup> Cash receipts plus LDPs and market loan gains plus fixed payments plus market loss assistance.

<sup>2</sup> From "Preliminary Assessment of CCP Options," November 2000.

period.<sup>3</sup> These amounts were then adjusted to reflect historical inequities among crops that are driven primarily by the commodity marketing loan program.

The Committee's Draft, however, indicates that Target Prices would be set at their 1995 rate, with a new soybean target price set at \$5.76 per bushel and a comparable rate for minor oilseeds. In four instances, the Committee's selection of the 1995 Target Price varies from NAWG's lengthy analysis on the issue.

<u>Commodity</u>	<u>NAWG</u>	<u>Committee Draft</u>
Wheat	\$4.25	\$4.00
Corn	\$2.65	\$2.75
Barley	\$2.72	\$2.36
Grain Sorghum	\$2.65	\$2.61
Oats	\$1.40	\$1.45
Upland Cotton	\$0.722	\$0.7290
Rice	\$12.15	\$10.71
Soybeans	\$5.55	\$5.76

The preceding Table contrasts the Market Support Levels proposed in the NAWG plan with the Target Prices outlined in the Committee's Draft for each commodity. The NAWG analysis was predicated upon providing equitable treatment for all commodities to remove market distortions that may drive planting decisions. NAWG arrived at the \$4.25 Market Support Level for wheat, as we did for all commodity support levels, only following considerable economic analysis and lengthy consideration of the needs of wheat producers across the nation. The NAWG analysis provides a more equitable basis than the 1995 Target Prices on which to base support for each commodities. We are

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<sup>3</sup> Data from 1995-1999 crop years through January 1, 2001 from activity reports on the Price Support Division of the Farm Service Agency's web site.

pleased to see that the Committee's Draft places the Target Price for many commodities very near and, in some instances, above the NAWG recommended support levels. We would ask that all commodities receive such equitable treatment. NAWG encourages the Committee to reconsider the proposed Target Prices, particularly for wheat. NAWG continues to support a \$4.25 Target Price for wheat.

#### Payment Calculation Period

An issue that may require further analysis is the decision to base the counter-cyclical payment rate on the national 12-month season average price received by producers. NAWG's plan proposed using the 5-month marketing period for calculating the counter-cyclical payment. This is the same manner in which we now calculate the national average price. NAWG would like to further discuss the Committee's rationale for moving from the current 5-month to a 12-month national average as proposed in the Draft.

#### 6. Marketing Loan Program

While NAWG views the marketing loan program as an essential component of the 1996 FAIR Act, and one we are pleased that the Committee in its Draft proposes to continue, wheat producers have long believed that the \$2.58 loan rate for wheat was too low and presented an inequity between commodities that has, at times, driven production decisions. NAWG continues to believe that a new marketing loan rate established at \$2.85 would help bring the wheat loan in line with the other commodities and would eliminate existing distortions in the marketing loan levels. NAWG encourages the Committee to revisit the issue of loan rates.



## 7. Conservation

NAWG appreciated the opportunity to testify before the House Agriculture Subcommittee on Conservation, Credit, Rural Development and Research on May 23. In that testimony, we outlined our agenda for the conservation title of the new Farm Bill. NAWG strongly believes that a fully funded and well-crafted conservation title is essential to the future of wheat production and a healthy agriculture economy. We welcome the opportunity to again comment on potential changes to the conservation title as outlined in the Committee's Draft.

### Conservation Reserve Program

NAWG supports the continuation of the Conservation Reserve Program (CRP) and has encouraged full enrollment of the 36.4 million acres authorized under the 1996 FAIR Act. NAWG opposes, however, the expansion of the CRP program beyond the current program cap. NAWG believes the \$1.4 billion 10-year cost of increasing CRP enrollment to 40 million acres would best serve our producers in the form of higher Target Prices and marketing loan levels.

### Additional Conservation Provisions

We would further ask the Committee to consider the following concerns during its deliberations on the specific proposals presented in the Committee's Draft.

Wheat producers support a conservation title that provides the needed support to enhance the environmental benefits of both our productive and our environmentally sensitive

agricultural lands. And we encourage the Committee to consider the needs of all producers across all commodities in all regions of the country. We continue to emphasize the need for a Farm Bill that is balanced across all commodities. This includes conservation funding.

To this end, we would note that many of the conservation programs selected for additional funding in the Committee's Draft do not benefit wheat producers on a wide-spread basis. With the exception of the Conservation Reserve Program, wheat producers, due to geographic location and climatic patterns, farming practices, and the nature of the crop itself, do not participate in most of these conservation programs on a wide scale. The Environmental Quality Incentives Program, the Wetland Reserve Program, the Farmland Protection Program, and the Forestry Incentive and Stewardship Incentive Programs are all beneficial programs in their own way and in their own part of the country. These programs do not, however, benefit most wheat producers.

Conservation dollars can and often do play a supportive role in the overall level of program support provided to each commodity. As you consider our requests for a Target Price of \$4.25 and a marketing loan level of \$2.85, we would encourage you not only to consider how wheat fares under the commodity title, but also under the conservation section of the Farm Bill.

## **Concluding Remarks**

On behalf of the National Association of Wheat Growers, our 23 member states, and wheat producers across the nation, I want to thank the Committee for listening to our concerns and considering our recommendations for the new Farm Bill. We appreciate the Committee's efforts on our behalf, and our wheat growers recognize and applaud the work you have already done.

We believe that our modest recommended alterations to the Committee's Draft will only improve the balance and equity that the Committee is striving to provide among all commodities. The higher recommended Target Price and the rebalanced marketing loan rate are not spurious suggestions, but rather the result of a comprehensive and detailed analysis of the real needs of our nation's wheat producers. We urge the Committee to reevaluate its first Draft in light of these recommended changes.

It has been an honor for me to appear before you today, and as always, NAWG stands ready to answer any questions you may have, or provide any assistance you may require as you continue with this endeavor.